

# AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name: Charter Township of Milford, Michigan	County Oakland
Audit Date December 31, 2005	Opinion Date January 23, 2006	Date Accountant Report Submitted To State: June 6, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- |   |   |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132])   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): <b>PLANTE &amp; MORAN, PLLC</b>			
Street Address 27400 Northwestern Highway	City Southfield	State MI	ZIP 48034
Accountant Signature  <i>Plante &amp; Moran, PLLC</i>			

**Charter Township of Milford,  
Oakland County, Michigan**

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**Financial Report  
with Supplemental Information  
December 31, 2005**

# Charter Township of Milford

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# Charter Township of Milford

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## Independent Auditor's Report

To the Township Board  
Charter Township of Milford  
Oakland County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Milford as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter Township of Milford's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Milford as of December 31, 2005 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Township Board  
Charter Township of Milford

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Milford's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

January 23, 2006

# Charter Township of Milford

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## Management's Discussion and Analysis

### Overview of the Financial Statements

The Charter Township of Milford's 2005 annual report is presented in conformity with the requirements of GASB 34. This annual report consists of four parts - management's discussion and analysis, the basic financial statements, required supplemental information, and other supplemental information, which presents combining statements for nonmajor governmental funds and fiduciary funds. The basic financial statements include two kinds of statements that present different views of the Township. The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the Township's government, reporting the Township's operations in more detail than the government-wide statements.

### Government-wide Statements

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid (full accrual).

The two government-wide statements report the Township's net assets and how they have changed. Net assets, the difference between the Township's assets and liabilities, are one way to measure the Township's financial health or position.

The government-wide financial statements of the Township are divided into two categories:

**Governmental Activities** - Most of the Township's basic services are included here, such as public safety, public works, and general administration. Property taxes, state-shared revenue, and charges for services provide most of the funding.

**Business-type Activities** - The Township is in the process of constructing a sewer system and will charge fees to customers in the future to help cover the costs of certain services it provides. The Township's sewer system is treated as a business-type activity.

### Fund Financial Statements

The fund financial statements provide more detailed information about the Township's most significant funds - not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and bond covenants. The Township Board establishes other funds to control and manage money for particular purposes.

# Charter Township of Milford

## Management's Discussion and Analysis (Continued)

The Township has three types of funds:

**Governmental Funds** - Most of the Township's basic services are included in governmental funds, which focus on how cash and other financial assets can readily be converted to cash flow in and out, and the balances left at year end that are available for spending. The governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs.

**Proprietary Funds** - Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like government-wide statements, provide both long-term and short-term financial information.

**Fiduciary Funds** - The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Township's fiduciary activities are reported in a separate statement of assets and liabilities. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

### Financial Overview

The Township has total net assets of \$5.5 million, comprised of \$5.4 million from governmental activities and \$51,000 from business-type activities. This was a slight increase over 2004. In a condensed format, the table below shows a comparison of the net assets as of the current date to the prior year:

(In thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
<b>Assets</b>						
Current assets	\$ 10,045	\$ 9,541	\$ 11,961	\$ 701	\$ 22,006	\$ 10,242
Noncurrent assets	9,173	9,624	4,683	762	13,856	10,386
Total assets	19,218	19,165	16,644	1,463	35,862	20,628
<b>Liabilities</b>						
Current liabilities	6,381	6,140	8,693	263	15,074	6,403
Long-term liabilities	7,410	7,550	7,900	1,200	15,310	8,750
Total liabilities	13,791	13,690	16,593	1,463	30,384	15,153
<b>Net Assets</b>						
Invested in capital assets -						
Net of related debt	1,905	2,355	51	-	1,956	2,355
Restricted	1,333	1,124	-	-	1,333	1,124
Unrestricted	2,189	1,996	-	-	2,189	1,996
Total net assets	\$ 5,427	\$ 5,475	\$ 51	\$ -	\$ 5,478	\$ 5,475



# Charter Township of Milford

## Management's Discussion and Analysis (Continued)

The Township experienced a slight change in the net assets of the governmental activities due to expenditures exceeding revenues. The Township sustained a decrease in revenue sharing and an increase in insurance, fringe benefits, and debt-related costs which contributed to the reduction in net assets.

The Township incurred additional legal costs associated with the lawsuit related to the landfill reclamation during 2005.

The Township continued construction of a sewer system in 2005. Special assessment bonds were issued for \$7.9 million and \$3,921,000 was spent on construction in progress during 2005.

### Governmental Activities

Revenues for governmental activities totaled \$7.1 million in 2005. A total of \$5.0 million was in the form of property tax collections, an increase of \$389,000 over 2004. This increase is due to the continuing growth in the tax base and the passing of two more levies for the senior center and the recreation trail. State-shared revenues continue to be of concern. While it provided \$624,000, we are uncertain what will happen in 2006 given the State's financial difficulties. Charges for services, primarily for inspections and refuse operations, generated \$989,000.

The following table shows the changes in net assets (in thousands of dollars) compared to the prior year for the governmental activities:

	Governmental Activities	
	2005	2004
<b>Revenue</b>		
Program revenue:		
Charges for services	\$ 989	\$ 867
Operating grants and contributions	17	63
Capital grants and contributions	100	179
General revenue:		
Property taxes	5,003	4,614
State-shared revenue	624	695
Unrestricted investment earnings	151	59
Cable revenues	61	54
Other revenue	12	1
Transfers	(50)	-
Special item - Settlement of property tax case	188	-
Total revenue	7,095	6,532
<b>Program Expenses</b>		
General government	1,145	1,001
Public safety	3,833	3,576
Public works	740	912
Community and economic development	196	54
Recreation and culture	488	482
Interest on long-term debt	740	391
Total program expenses	7,142	6,416
<b>Change in Net Assets</b>	<b>\$ (47)</b>	<b>\$ 116</b>

# Charter Township of Milford

## Management's Discussion and Analysis (Continued)

### Business-type Activities

The following table shows the changes in net assets (in thousands of dollars) for 2005 for the business-type activities. There were no revenues or expenses for business-type activities in 2004. Future reports will provide comparative data for the statement of activities.

	Business-type Activities
Interest income	\$ 1
Transfers from other funds	50
<b>Change in Net Assets</b>	<b>\$ 51</b>

The Township began collecting special assessments related to the construction of the SEMIS Sewer during 2005.

### Current Economic Events

The Township is in the process of developing a system of supplying water to certain portions of the Township. Escrow accounts are in place for maintenance and repair or replacement of subdivision wastewater systems.

Revenue sharing, as it was in 2004, continues to be the most significant budgetary concern at this time. The State of Michigan is experiencing significant structural budget problems, and as they look for solutions, revenue sharing continues to be under attack. The governor's proposed budget for 2006 calls for a level funding for state revenue-sharing payments.

The Township anticipates settling the long-running lawsuit related to the property tax dispute with the utility companies at a reduced amount during 2006.

### Financial Analysis of Township Funds and Budgets

The General Fund ended 2005 with a fund balance of \$1.1 million, with \$665,575 designated for specific purposes. Several factors affected operating results. Tax revenue from the police millage was under the amended budget by \$22,357, while total revenues exceeded the amended budget by \$183,282. Total expenditures were under the amended budget by \$291,572 due to cost cutting throughout each department. Total expenditures and transfers in the General Fund of \$5,008,510 exceed revenues of \$4,712,300 by \$296,210 and decreased fund balance by the same amount.

The General Fund budget is amended throughout the year as deemed necessary. This is primarily done to prevent expenditures from exceeding the budget. With that in mind, the General Fund expenditures were 96 percent of budget. With the exception of the previously mentioned items, no major General Fund areas were significantly under or over budget.

# **Charter Township of Milford**

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## **Management's Discussion and Analysis (Continued)**

### **Capital Assets and Debt**

At the end of 2005, the governmental activities of the Township had approximately \$9.1 million, net of depreciation, invested in a broad range of capital assets including buildings, fire and office equipment, and vehicles. Business-type activities reported \$4,682,507 of construction in progress at the end of 2005 related to the construction of the sewer system.

Debt relating to special assessment projects and the police and library buildings of \$7,410,000 is recorded as a liability in the governmental activities in the statement of net assets. The Township issued refunding bonds for a portion of the original library and police facility bonds during 2005. Debt relating to special assessment projects for the sewer system totaling \$7.9 million is recorded as a liability in the business-type activities in the statement of net assets.

### **Contact Us**

This report is intended to aid our residents and other interested parties in understanding the Township's financial condition. Should you have further questions, we welcome you to contact the Clerk's office.

# Charter Township of Milford

## Statement of Net Assets December 31, 2005

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
<b>Assets</b>			
Cash and investments (Note 3)	\$ 6,391,621	\$ 148,651	\$ 6,540,272
Receivables:			
Taxes receivable	3,289,301	-	3,289,301
Special assessments and other	132,506	7,812,468	7,944,974
Due from other governmental units	221,769	-	221,769
Restricted assets (Note 8)	10,556	4,000,264	4,010,820
Investment in joint venture (Note 11)	43,768	-	43,768
Capital assets (Note 5):			
Capital assets not being depreciated	4,534	4,682,507	4,687,041
Capital assets being depreciated - Net	9,124,515	-	9,124,515
<b>Total assets</b>	<b>19,218,570</b>	<b>16,643,890</b>	<b>35,862,460</b>
<b>Liabilities</b>			
Accounts payable	84,317	484,536	568,853
Accrued and other liabilities	164,461	101,708	266,169
Refundable deposits	386,573	-	386,573
Deferred revenue (Note 4)	5,745,537	8,106,977	13,852,514
Noncurrent liabilities (Note 7):			
Due within one year	330,000	-	330,000
Due in more than one year	7,080,000	7,900,000	14,980,000
<b>Total liabilities</b>	<b>13,790,888</b>	<b>16,593,221</b>	<b>30,384,109</b>
<b>Net Assets</b>			
Invested in capital assets - Net of related debt	1,904,605	50,669	1,955,274
Restricted:			
Cemetery improvements	115,363	-	115,363
Debt service	32,124	-	32,124
Capital projects	10,556	-	10,556
Fire services	1,092,966	-	1,092,966
Recreation trail	82,593	-	82,593
Unrestricted	2,189,475	-	2,189,475
<b>Total net assets</b>	<b>\$ 5,427,682</b>	<b>\$ 50,669</b>	<b>\$ 5,478,351</b>

# Charter Township of Milford

## Statement of Activities Year Ended December 31, 2005

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Functions/Programs</b>							
Primary government - Governmental activities:							
General government	\$ 1,144,906	\$ 100,763	\$ -	\$ 50,000	\$ (994,143)	\$ -	\$ (994,143)
Public safety	3,833,359	443,147	-	-	(3,390,212)	-	(3,390,212)
Public works	739,425	388,567	-	49,999	(300,859)	-	(300,859)
Community and economic development	195,849	56,649	17,180	-	(122,020)	-	(122,020)
Recreation and culture	488,225	-	-	-	(488,225)	-	(488,225)
Interest on long-term debt	740,061	-	-	-	(740,061)	-	(740,061)
Total governmental activities/ primary government	<b>\$ 7,141,825</b>	<b>\$ 989,126</b>	<b>\$ 17,180</b>	<b>\$ 99,999</b>	(6,035,520)	-	(6,035,520)
General revenues:							
Property taxes					5,003,161	-	5,003,161
State-shared revenues					623,579	-	623,579
Unrestricted investment earnings					150,565	669	151,234
Cable revenues					61,060	-	61,060
Miscellaneous					11,490	-	11,490
Transfers					(50,000)	50,000	-
Special item - Settlement of property tax case					188,207	-	188,207
Total general revenues and special item					5,988,062	50,669	6,038,731
<b>Change in Net Assets</b>					(47,458)	50,669	3,211
<b>Net Assets</b> - Beginning of year					5,475,140	-	5,475,140
<b>Net Assets</b> - End of year					<b>\$ 5,427,682</b>	<b>\$ 50,669</b>	<b>\$ 5,478,351</b>

# Charter Township of Milford

## Governmental Funds Balance Sheet December 31, 2005

		Major Special Revenue Fund	Major Debt Service Fund		
	General	Fire Voted Millage Operations	Debt Service	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and investments (Note 3)	\$ 2,771,191	\$ 1,572,977	\$ 314,195	\$ 1,733,258	\$ 6,391,621
Receivables:					
Taxes	2,177,487	486,615	368,849	256,350	3,289,301
Special assessments	-	-	-	121,486	121,486
Other	11,020	-	-	-	11,020
Due from other funds (Note 6)	100,000	-	-	30,141	130,141
Due from other governmental units	221,769	-	-	-	221,769
Restricted assets (Note 8)	-	-	-	10,556	10,556
Total assets	<u>\$ 5,281,467</u>	<u>\$ 2,059,592</u>	<u>\$ 683,044</u>	<u>\$ 2,151,791</u>	<u>\$ 10,175,894</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 36,737	\$ 7,035	\$ -	\$ 40,546	\$ 84,318
Accrued and other liabilities	26,000	18,592	-	-	44,592
Due to other funds (Note 6)	30,141	100,000	-	-	130,141
Refundable deposits	386,573	-	-	-	386,573
Deferred revenue (Note 4)	3,751,848	836,299	633,898	644,978	5,867,023
Total liabilities	4,231,299	961,926	633,898	685,524	6,512,647
<b>Fund Balances</b>					
Reserved for:					
Recreation trail	82,593	-	-	-	82,593
Tax appeals	22,000	4,700	2,300	-	29,000
Construction	-	-	-	10,556	10,556
Unreserved, reported in:					
General Fund - Undesignated	280,000	-	-	-	280,000
General Fund - Designated (Note 14)	665,575	-	-	-	665,575
Special Revenue Funds	-	1,092,966	-	1,062,693	2,155,659
Debt Service Funds	-	-	46,846	49,348	96,194
Capital Projects Funds	-	-	-	343,670	343,670
Total fund balances	<u>1,050,168</u>	<u>1,097,666</u>	<u>49,146</u>	<u>1,466,267</u>	<u>3,663,247</u>
Total liabilities and fund balances	<u>\$ 5,281,467</u>	<u>\$ 2,059,592</u>	<u>\$ 683,044</u>	<u>\$ 2,151,791</u>	<u>\$ 10,175,894</u>

# Charter Township of Milford

## Governmental Funds

### Statement of Revenue, Expenditures, and Changes in Fund Balances

### Year Ended December 31, 2005

		Major Special Revenue Fund	Major Debt Service Fund		
	General	Fire Voted Millage Operations	Debt Service	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenue</b>					
Property taxes	\$ 966,647	\$ 778,174	\$ 635,893	\$ 103,249	\$ 2,483,963
Police millage	2,519,198	-	-	-	2,519,198
Licenses and permits	396,985	-	-	-	396,985
Program/Trip	-	-	-	32,899	32,899
Federal sources	12,780	-	-	2,000	14,780
State sources	623,579	-	-	52,400	675,979
Charges for services	39,142	50,000	-	-	89,142
Investment earnings	51,257	43,066	9,763	46,479	150,565
Rubbish billings	-	-	-	381,162	381,162
Special assessments	-	-	-	47,385	47,385
Other	102,712	-	-	43,539	146,251
Total revenue	4,712,300	871,240	645,656	709,113	6,938,309
<b>Expenditures</b>					
General government	784,934	-	-	68,091	853,025
Public safety	2,745,085	579,653	-	-	3,324,738
Public works	187,916	-	-	608,957	796,873
Community and economic development	76,583	-	-	119,981	196,564
Recreation and culture	12,636	-	-	-	12,636
Capital outlay	51,943	190,573	-	4,327	246,843
Other	454,273	-	-	-	454,273
Debt service	-	-	523,299	8,928	532,227
Total expenditures	4,313,370	770,226	523,299	810,284	6,417,179
<b>Excess of Revenue Over (Under)</b>					
Expenditures	398,930	101,014	122,357	(101,171)	521,130
<b>Other Financing Sources (Uses)</b>					
Transfers in (Note 6)	-	-	210	645,140	645,350
Transfers out (Note 6)	(695,140)	-	-	(210)	(695,350)
Payment to escrow agent (Note 7)	-	-	(5,692,003)	-	(5,692,003)
Debt issuance costs	-	-	(120,997)	-	(120,997)
Issuance of debt	-	-	5,490,000	-	5,490,000
Total other financing sources (uses)	(695,140)	-	(322,790)	644,930	(373,000)
<b>Net Change in Fund Balances</b>	(296,210)	101,014	(200,433)	543,759	148,130
<b>Fund Balances - Beginning of year</b>	1,346,378	996,652	249,579	922,508	3,515,117
<b>Fund Balances - End of year</b>	<u>\$ 1,050,168</u>	<u>\$ 1,097,666</u>	<u>\$ 49,146</u>	<u>\$ 1,466,267</u>	<u>\$ 3,663,247</u>

The Notes to Financial Statements are an  
Integral Part of this Statement.

# Charter Township of Milford

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## **Governmental Funds** **Reconciliation of Fund Balances of Governmental Funds to** **Net Assets of Governmental Activities** **Year Ended December 31, 2005**

<b>Fund Balance - Total Governmental Funds</b>	<b>\$ 3,663,247</b>
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds	9,129,049
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Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures	121,486
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Accrued interest payable on long-term debt is not recorded in the funds	(90,868)
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Long-term liabilities are not due and payable in the current period and are not reported in the funds	(7,410,000)
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Investment in joint ventures is not recorded in the funds	43,768
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Certain liabilities relating to potential tax refunds have been accrued in the government-wide statements while being shown as reserved fund balance in the fund-based statements	<u>(29,000)</u>
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<b>Net Assets of Governmental Activities</b>	<b><u>\$ 5,427,682</u></b>
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# Charter Township of Milford

## **Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended December 31, 2005**

**Net Change in Fund Balances - Total Governmental Funds** \$ 148,130

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	267,445
Depreciation is recorded as an expense in the statement of activities but not in the governmental funds	(771,727)
Revenue associated with assets contributed by the State of Michigan is recorded in the statement of activities; it is not reported in the funds	50,000
Decrease in liability for tax tribunal appeals is recorded in the statement of activities; it is not reported in the funds	188,207
Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end	(47,386)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt):	
Scheduled principal payments	290,000
Bonds defeased during 2005	5,340,000
Bond proceeds are not reported as financing sources on the statement of activities	(5,490,000)
Interest expense is recorded when incurred in the statement of activities	(24,834)
The change in the investment in joint ventures is not recorded in the governmental funds	2,707

**Change in Net Assets of Governmental Activities** \$ (47,458)

# Charter Township of Milford

## Proprietary Fund Statement of Net Assets December 31, 2005

	Enterprise - Sewer
<b>Assets</b>	
Current assets:	
Cash and cash equivalents (Note 3)	\$ 148,651
Special assessment receivable	7,812,468
Restricted assets (Note 8)	<u>4,000,264</u>
Total current assets	11,961,383
Noncurrent assets - Capital assets	<u>4,682,507</u>
Total assets	16,643,890
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	484,536
Accrued and other liabilities	101,708
Deferred revenue	<u>8,106,977</u>
Total current liabilities	8,693,221
Noncurrent liabilities - Long-term debt	<u>7,900,000</u>
Total liabilities	<u>16,593,221</u>
<b>Net Assets</b> - Invested in capital assets - Net of related debt	<u><u>\$ 50,669</u></u>

# Charter Township of Milford

## Proprietary Fund Statement of Revenue, Expenses, and Changes in Net Assets Year Ended December 31, 2005

	Enterprise - Sewer
<b>Nonoperating Revenue</b> - Interest income	\$ 669
<b>Transfers from Other Funds</b> (Note 6)	50,000
<b>Change in Net Assets</b>	50,669
<b>Net Assets</b> - Beginning of year	-
<b>Net Assets</b> - End of year	<u><u>\$ 50,669</u></u>

# Charter Township of Milford

## Proprietary Fund Statement of Cash Flows Year Ended December 31, 2005

	Enterprise - Sewer
<b>Cash Flows from Noncapital Financing Activities</b> - Receipts from other funds	\$ 50,000
<b>Cash Flows from Capital and Related Financing Activities</b>	
Special assessment collections	82,943
Purchase of capital assets including capitalized interest	(3,386,163)
Pay off of bond anticipation note	(1,200,000)
Proceeds from issuance of debt	<u>7,900,000</u>
Net cash provided by capital and related financing activities	3,396,780
<b>Cash Flows from Investing Activities</b>	
Purchase of investments	(4,000,264)
Interest received on investments - Net of capitalized interest	<u>669</u>
Net cash used in investing activities	<u>(3,999,595)</u>
<b>Net Decrease in Cash and Cash Equivalents</b>	(552,815)
<b>Cash and Cash Equivalents</b> - Beginning of year	<u>701,466</u>
<b>Cash and Cash Equivalents</b> - End of year	<u><u>\$ 148,651</u></u>

**Noncash Investing, Capital, and Financing Activities** - During the year ended December 31, 2005, there were no noncash activities.

# Charter Township of Milford

## **Fiduciary Funds Statement of Net Assets Retiree Health Care Fund and Agency Funds December 31, 2005**

	Retiree Health Care Fund	Agency Funds
<b>Assets</b>		
Cash and cash equivalents (Note 3)	\$ 131,500	\$ 447,150
Investments - Bank investment pool (Note 3)	-	2,959,000
Total assets	131,500	<u><u>\$ 3,406,150</u></u>
<b>Liabilities</b>		
Deposits	-	\$ 105,021
Due to other governmental units	-	3,095,547
Tax collections distributable	-	205,582
Total liabilities	-	<u><u>\$ 3,406,150</u></u>
<b>Net Assets - Held in trust for retiree health care</b>	<u><u>\$ 131,500</u></u>	

# Charter Township of Milford

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## **Fiduciary Funds Statement of Changes in Net Assets Retiree Health Care Fund Year Ended December 31, 2005**

	Retiree Health Care Fund
	<hr/>
<b>Additions</b>	
Employer contributions	\$ 100,000
Interest Income	<hr/> 1,500
Total additions	101,500
<b>Net Assets Held in Trust for Retiree Health Care</b>	
Beginning of year	<hr/> 30,000
End of year	<hr/> <b>\$ 131,500</b> <hr/>

# Charter Township of Milford

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## Notes to Financial Statements December 31, 2005

### **Note I - Summary of Significant Accounting Policies**

The accounting policies of the Charter Township of Milford (the "Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Charter Township of Milford:

#### **Reporting Entity**

The Charter Township of Milford is governed by an elected seven-member board of trustees. The accompanying financial statements present the financial operations of the Township. The cash and investments of the Charter Township of Milford Library are recorded in an Agency Fund.

#### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major individual Enterprise Fund are reported as separate columns in the fund financial statements.

# Charter Township of Milford

## Notes to Financial Statements December 31, 2005

### Note I - Summary of Significant Accounting Policies (Continued)

#### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability. All other revenue items are considered to be available only when cash is received by the Township.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township reports the following major governmental funds:

**General Fund** - The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. General Fund activities are financed by revenue from general property taxes, state-shared revenue, and other sources.

**Fire Voted Millage Operations Fund** - The Fire Voted Millage Operations Fund accounts for the proceeds of a property tax levy that are earmarked for fire service.

**Debt Service Fund** - The Debt Service Fund accounts for the proceeds of a property tax levy that are earmarked for debt service on the Library and Police Facility Bonds.



# Charter Township of Milford

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## Notes to Financial Statements December 31, 2005

### Note 1 - Summary of Significant Accounting Policies (Continued)

The Township reports the following major proprietary fund:

**Sewer Fund** - The Sewer Fund is used to account for the issuance of debt to be used for the construction of a sewer system.

Additionally, the Township reports the following fund types:

**Retiree Health Care** - The Retiree Health Care Fund accounts for resources accumulated for other postemployment benefit payments to qualified employees.

**Agency Funds** - The Agency Funds account for assets held by the Township in a trustee capacity. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Township has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Township's sewer function and various other functions of the Township. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

# Charter Township of Milford

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## Notes to Financial Statements December 31, 2005

### **Note I - Summary of Significant Accounting Policies (Continued)**

#### **Property Tax Revenue**

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Township's 2004 ad valorem tax is levied and collectible on December 1, 2004 and is recognized as revenue in the year ended December 31, 2005, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2004 taxable valuation of the Township totaled \$804,045,904, on which ad valorem taxes levied consisted of 1.0735 mills for operating purposes, 3.0417 mills for police services, .9396 mills for fire service, .7670 mills for debt service, .1250 mills for operation of the senior center, and .1000 mills for recreation trails. This resulted in approximately \$863,000 for operating, \$2,446,000 for police services, \$755,000 for fire service, \$617,000 for debt service, \$101,000 for senior center, and \$80,000 for recreation trails. Amounts for operating and police services are recognized in the General Fund financial statements as tax revenue and amounts for fire service and debt service are recognized in the respective Special Revenue and Debt Service Funds financial statements as tax revenue.

#### **Assets, Liabilities, and Net Assets or Equity**

**Bank Deposits and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

**Restricted Assets** - Unspent bond proceeds of the Annie Lang Capital Projects Fund and the Sewer Fund are required to be set aside for construction.

# Charter Township of Milford

## Notes to Financial Statements December 31, 2005

### Note 1 - Summary of Significant Accounting Policies (Continued)

**Capital Assets** - Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, \$73,130 of interest incurred, net of related interest income, was capitalized as part of the cost of assets under construction.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	40 years
Library building and contents	16 years
Computer equipment	5 to 7 years
Machinery and equipment	10 years
Vehicles	7 to 15 years
Furniture and fixtures	20 years
Recreation paths	15 years

**Compensated Absences (Vacation and Sick Leave)** - It is the Township's policy to not permit employees to accumulate earned but unused sick and vacation pay benefits if the time is not used within a year following the date of their anniversary. There is no liability for unpaid sick pay since the Township does not have a policy to pay any amounts when employees separate from service with the Township. There is no liability for unpaid vacation pay since the Township recognizes any liability at the time the vacation time is taken or an employee separates from service with the Township in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

# Charter Township of Milford

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## Notes to Financial Statements December 31, 2005

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

**Long-term Obligations** - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts and issuance costs are reported as other financing uses.

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

# Charter Township of Milford

## Notes to Financial Statements December 31, 2005

### Note 2 - Stewardship, Compliance, and Accountability

**Construction Code Fees** - The Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. Beginning January 1, 2000, the law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the activity since January 1, 2005 is as follows:

Shortfall at January 1, 2005		\$	(225,988)
Building permit revenue			389,866
Related expenses:			
Direct costs	\$	323,904	
Estimated indirect costs		<u>62,213</u>	<u>386,117</u>
Current year surplus			<u>3,749</u>
Cumulative shortfall at December 31, 2005		\$	<u>(222,239)</u>

### Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Retiree Health Care Fund is also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

# Charter Township of Milford

## Notes to Financial Statements December 31, 2005

### Note 3 - Deposits and Investments (Continued)

The Township has designated nine banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all State statutory authority investments as listed above. The Township's deposits and investment policies are in accordance with statutory authority.

The Township's cash and investments are subject to several types of risk, which are examined in more detail below:

#### Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. At year end, the Township had \$1,816,993 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

#### Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Bank investment pool	\$ 22,821	AI	S&P
Bank investment pool	3,888,719	Aaa	Moody's
Bank investment pool	3,612,000	Not rated	N/A
Interlocal agreement pools	923,201	Not rated	N/A

# Charter Township of Milford

## Notes to Financial Statements December 31, 2005

### Note 4 - Deferred Revenue

Governmental funds report deferred revenue in connection with revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Governmental Funds			Governmental	Business-type
	Unavailable	Unearned	Total	Activities Unearned	Activities Unearned
Property taxes levied for 2006 operations	\$ -	\$ 5,745,537	\$ 5,745,537	\$ 5,745,537	\$ -
Special assessments	121,486	-	121,486	-	8,106,977
Total	<u>\$ 121,486</u>	<u>\$ 5,745,537</u>	<u>\$ 5,867,023</u>	<u>\$ 5,745,537</u>	<u>\$ 8,106,977</u>

### Note 5 - Capital Assets

Capital asset activity of the Township's governmental and business-type activities was as follows:

	Balance January 1, 2005	Additions	Disposals and Adjustments	Balance December 31, 2005
<b>Governmental Activities</b>				
Capital assets not being depreciated - Land	\$ 4,534	\$ -	\$ -	\$ 4,534
Capital assets being depreciated:				
Buildings and improvements	3,797,243	46,140	-	3,843,383
Library building and contents	6,842,820	-	-	6,842,820
Computer equipment	157,259	41,633	-	198,892
Machinery and equipment	414,157	54,476	-	468,633
Vehicles	1,592,641	175,196	131,421	1,636,416
Furniture and fixtures	152,350	-	-	152,350
Recreation paths	155,000	-	-	155,000
Subtotal	13,111,470	317,445	131,421	13,297,494
Accumulated depreciation:				
Buildings and improvements	1,194,916	162,071	-	1,356,987
Library building and contents	855,352	427,676	-	1,283,028
Computer equipment	148,448	10,569	-	159,017
Machinery and equipment	278,084	36,865	-	314,949
Vehicles	957,594	115,775	131,421	941,948
Furniture and fixtures	77,613	8,437	-	86,050
Recreation paths	20,666	10,334	-	31,000
Subtotal	3,532,673	771,727	131,421	4,172,979
Net capital assets being depreciated	9,578,797	(454,282)	-	9,124,515
Net capital assets	<u>\$ 9,583,331</u>	<u>\$ (454,282)</u>	<u>\$ -</u>	<u>\$ 9,129,049</u>

# Charter Township of Milford

## Notes to Financial Statements December 31, 2005

### Note 5 - Capital Assets (Continued)

	Balance January 1, 2005	Additions	Disposals and Adjustments	Balance December 31, 2005
<b>Business-type Activities</b>				
Capital assets not being depreciated -				
Construction in progress	\$ 761,822	\$ 3,920,685	\$ -	\$ 4,682,507

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 61,095
Public safety	267,740
Recreation and culture	442,892
 Total governmental activities	 \$ 771,727

**Construction Commitments** - The Township has an active construction project at year end for the SEMIS Sewer. At year end, the Township's commitments with contractors are as follows:

	Spent to Date	Remaining Commitment
SEMIS Sewer	\$ 2,792,535	\$ 1,729,821

### Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
<b>Due to/from Other Funds</b>		
General Fund	Fire Voted Millage Operation	\$ 100,000
Other governmental funds	General Fund	30,141
 Total		 \$ 130,141

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.



# Charter Township of Milford

## Notes to Financial Statements December 31, 2005

### Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

Interfund transfers reported in the fund financial statements are comprised of the following:

Fund Providing Resources	Fund Receiving Resources	Amount	
General Fund	Refuse Collection Fund	\$ 127,200	*
General Fund	Road Fund	373,600	*
General Fund	Land Acquisition Fund	50,000	*
General Fund	Sewer Fund	50,000	*
General Fund	Cemetery Improvement Fund	94,340	*
Total transfers from General Fund		695,140	
Police Construction Fund	Debt Service Fund	210	**
Total transfers from other nonmajor governmental funds		210	
Total		<u>\$ 695,350</u>	

\* These transfers represent the use of unrestricted resources in accordance with budgetary authorizations.

\*\* This transfer represents a transfer of funds to be used for debt service.

### Note 7 - Long-term Debt

The Township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the Township is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received.

# Charter Township of Milford

## Notes to Financial Statements December 31, 2005

### Note 7 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>							
General obligation bonds:							
Library and Police Facility							
Amount of issue: \$8,100,000	5.00% -	\$100,000 -	\$ 7,375,000	\$ -	\$ 5,630,000 *	\$ 1,745,000	\$ 310,000
Maturing through 2010 *	5.25%	390,000					
Library and Police Facility Refunding							
Amount of issue: \$5,490,000	3.50% -	35,000 -					
Maturing through 2025	4.00%	635,000	-	5,490,000	-	5,490,000	-
Special assessment bonds:							
Annie Lang Road Improvements:							
Amount of issue: \$175,000	4.40% -	15,000 -					
Maturing through 2014	5.75%	20,000	175,000	-	-	175,000	20,000
Total governmental activities			<u>\$ 7,550,000</u>	<u>\$ 5,490,000</u>	<u>\$ 5,630,000</u>	<u>\$ 7,410,000</u>	<u>\$ 330,000</u>
<b>Business-type Activities</b>							
General obligation debt:							
SEMIS Sewer Limited Tax Note							
Amount of issue: \$1,200,000							
Maturing through 2005	1.98%	\$ 1,200,000	\$ 1,200,000	\$ -	\$ 1,200,000	\$ -	\$ -
Special assessment bonds:							
SEMIS Sewer Limited Tax Note							
Amount of issue: \$7,900,000	3.50% -	400,000 -					
Maturing through 2025	4.125%	425,000	-	7,900,000	-	7,900,000	-
Total business-type activities			<u>\$ 1,200,000</u>	<u>\$ 7,900,000</u>	<u>\$ 1,200,000</u>	<u>\$ 7,900,000</u>	<u>\$ -</u>

\* Bonds maturing after 2010 in the amount of \$5,340,000 were defeased during 2005.

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2006	\$ 330,000	\$ 333,170	\$ 663,170	\$ -	\$ 355,979	\$ 355,979
2007	385,000	287,923	672,923	400,000	305,125	705,125
2008	405,000	268,818	673,818	400,000	291,125	691,125
2009	420,000	248,838	668,838	400,000	277,125	677,125
2010	445,000	227,788	672,788	400,000	263,125	663,125
2011-2015	2,480,000	845,701	3,325,701	2,050,000	1,100,625	3,150,625
2016-2020	2,945,000	303,500	3,248,500	2,125,000	690,625	2,815,625
2021-2025	-	-	-	2,125,000	262,438	2,387,438
Total	<u>\$ 7,410,000</u>	<u>\$ 2,515,738</u>	<u>\$ 9,925,738</u>	<u>\$ 7,900,000</u>	<u>\$ 3,546,167</u>	<u>\$ 11,446,167</u>

# Charter Township of Milford

## Notes to Financial Statements December 31, 2005

### Note 7 - Long-term Debt (Continued)

**Advance and Current Refundings** - During the year, the Township issued \$5,490,000 in general obligation bonds with an average interest rate of 3.98 percent. A total of \$5,340,000 of the proceeds was used to advance refund general obligation bonds with an average interest rate of 5.09 percent. The net proceeds of approximately \$5,230,000 (after payment of approximately \$121,000 in underwriting fees, insurance, and other issuance costs) plus a contribution of \$323,000 from the Township's Debt Service Fund were used to purchase U.S. government securities and were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the Township's long-term obligations. The advance refunding reduced total debt service payments by approximately \$330,000, which represents an economic gain of approximately \$184,000.

### Note 8 - Restricted Assets

The balances of the restricted asset accounts are as follows:

	Governmental Activities	Business-type Activities
	Annie Lang Capital Projects Fund	Sewer Fund
Unspent bond proceeds and related interest	\$ 10,556	\$ 4,000,264

### Note 9 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and workers' compensation. The Township has purchased commercial insurance for medical and dental claims, participates in the Michigan Municipal League risk pool for claims relating to property loss, torts, errors and omissions, and workers' compensation, and is uninsured for unemployment compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

# **Charter Township of Milford**

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## **Notes to Financial Statements December 31, 2005**

### **Note 10 - Defined Contribution Pension Plan**

The Township provides pension benefits to all of its full-time employees and firefighters through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Township employees are eligible to participate upon completion of six months of employment and firefighters are eligible upon hiring date. As established by the Township board, the Township contributes an amount equal to 15 percent of the Township employee's base salary each month. The Township also contributes an amount equal to 15 percent of the firefighter's salary based on eligible hours. All participating employees shall have their benefits vested at the rate of 25 percent after one year of completed service and 25 percent for each additional year of completed service until 100 percent vested. In accordance with these requirements, the Township contributed approximately \$101,400 during the current year.

### **Note 11 - Joint Ventures**

The Township is a member of the Western Oakland County Cable Commission Authority (the "Authority"), which provides cable services to the residents of the Villages of Milford and Wolverine Lake, the Townships of Commerce, Highland, Lyon, Milford, and White Lake, and the cities of Walled Lake and Wixom. The Authority receives a management fee from the cable television company and currently does not receive a subsidy from the Township. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. The investment in the Authority of \$43,768 is recorded in the statement of net assets.

### **Note 12 - Contingent Liabilities**

In the normal course of its activities, the Township is involved in a variety of issues which lend themselves to potential legal exposure. The estimated liability associated with these issues, if any, cannot be determined; therefore, no liability has been recorded.

# Charter Township of Milford

## Notes to Financial Statements December 31, 2005

### Note 13 - Other Postemployment Benefits

The Township provides health care benefits to all employees who retire after at least 20 years of continuous full-time service and who have attained at least the age of 55 in accordance with the Township's *Personnel Policy and Procedures Manual*. The Township includes pre-Medicare retirees and their spouses in its insured health care plan, with no contribution required by the participant. Once the retiree is entitled to Medicare coverage, the Township shall provide the difference in coverage between coverages provided by Medicare and the retired employee's Township-provided insurance coverage. The Township also provides health care benefits to all employees who retire after at least 10 years of continuous full-time service and who have attained at least the age of 62. For every year of employment with the Township, the Township will contribute \$15.60 toward the employee's monthly health insurance and \$15.60 toward the spouse's monthly health insurance. The retired employee and spouse must apply for Medicare when eligible. Currently, two retirees are eligible for health care benefits. Expenditures for postemployment health care benefits approximated \$21,000 for the current year.

The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending December 31, 2009.

### Note 14 - Designated Fund Balance

The fund balance of the General Fund has been designated for the following purposes:

Landfill reclamation	\$ 100,000
Bike path maintenance	100,000
Land acquisition	165,575
Retiree health care	100,000
Capital projects	<u>200,000</u>
Total	<u>\$ 665,575</u>

# **Charter Township of Milford**

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## **Notes to Financial Statements December 31, 2005**

### **Note 15 - Subsequent Event**

The Township anticipates the sale of \$10,700,000 in bonds related to the Southeast Milford Water Improvement project and \$5,581,000 in bonds related to the SEMWI construction, Phase II during 2006.

## **Required Supplemental Information**

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# Charter Township of Milford

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 934,384	\$ 931,384	\$ 966,647	\$ 35,263
Police millage	2,541,555	2,541,555	2,519,198	(22,357)
Licenses and permits	126,600	329,600	396,985	67,385
Federal sources	20,000	20,000	12,780	(7,220)
State sources	575,145	575,145	623,579	48,434
Charges for services	37,734	37,734	39,142	1,408
Investment earnings	25,000	25,000	51,257	26,257
Other	68,600	68,600	102,712	34,112
Total revenue	4,329,018	4,529,018	4,712,300	183,282
<b>Expenditures</b>				
General government:				
Legislative	9,075	9,075	9,005	70
Executive	127,608	131,647	131,647	-
Administration	673,536	725,547	644,282	81,265
Total general government	810,219	866,269	784,934	81,335
Public safety:				
Police protection	2,541,555	2,541,555	2,515,902	25,653
Building department	192,133	245,133	229,183	15,950
Total public safety	2,733,688	2,786,688	2,745,085	41,603
Public works	106,900	207,650	187,916	19,734
Community and economic development:				
Economic opportunities	28,600	28,600	21,232	7,368
Planning	67,415	67,715	42,571	25,144
Community development block grant	20,000	20,000	12,780	7,220
Total community and economic development	116,015	116,315	76,583	39,732
Recreation and culture	72,500	65,500	12,636	52,864
Capital outlay	86,000	95,000	51,943	43,057
Other	345,320	467,520	454,273	13,247
Total expenditures	4,270,642	4,604,942	4,313,370	291,572
<b>Excess of Revenue Over (Under) Expenditures</b>	58,376	(75,924)	398,930	474,854
<b>Other Financing Uses - Operating transfers out</b>	(645,122)	(695,140)	(695,140)	-
<b>Excess of Revenue Over (Under) Expenditures and Other Financing Uses</b>	(586,746)	(771,064)	(296,210)	474,854
<b>Fund Balance - Beginning of year</b>	1,346,378	1,346,378	1,346,378	-
<b>Fund Balance - End of year</b>	<u>\$ 759,632</u>	<u>\$ 575,314</u>	<u>\$ 1,050,168</u>	<u>\$ 474,854</u>



# Charter Township of Milford

## Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Fund Year Ended December 31, 2005

	Fire Voted Millage Operations			Variance with
	Original Budget	Amended Budget	Actual	Amended Budget
<b>Revenue</b>				
Property taxes	\$ 785,101	\$ 785,101	\$ 778,174	\$ (6,927)
Charges for services	50,000	50,000	50,000	-
Investment earnings	10,000	10,000	43,066	33,066
Total revenue	845,101	845,101	871,240	26,139
<b>Expenditures</b>				
Capital outlay	184,000	186,030	190,573	(4,543)
Public safety	730,050	728,020	579,653	148,367
Total expenditures	914,050	914,050	770,226	143,824
<b>Excess of Revenue Over (Under) Expenditures</b>	(68,949)	(68,949)	101,014	169,963
<b>Other Financing Sources - Operating transfers in</b>	68,949	68,949	-	(68,949)
<b>Excess of Revenue and Other Financing Sources Over Expenditures</b>	-	-	101,014	101,014
<b>Fund Balance - Beginning of year</b>	996,652	996,652	996,652	-
<b>Fund Balance - End of year</b>	<u>\$ 996,652</u>	<u>\$ 996,652</u>	<u>\$ 1,097,666</u>	<u>\$ 101,014</u>

# **Charter Township of Milford**

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## **Note to Required Supplemental Information December 31, 2005**

### **Note - Budgetary Information**

**Budgetary Information** - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all Special Revenue Funds. The annual budget is prepared by the Township supervisor and adopted by the Township board; subsequent amendments are approved by the Township board. All annual appropriations lapse at fiscal year end. During the current year, the budget was amended in a legally permissible manner.

The budget has been adopted on an activity basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the General Fund and Major Special Revenue Fund budget as adopted by the Township board is included in the required supplemental information. A comparison of the actual results of operations to the nonmajor Special Revenue Funds budget as adopted by the Township board is available at the clerk's office for inspection.

**Excess of Expenditures Over Appropriations in Budgeted Funds** - The Township did not have significant budget variances.

## **Other Supplemental Information**

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# Charter Township of Milford

	Nonmajor Special Revenue Funds			
	Refuse Collection	Senior Citizens	Cemetery Improvement	Road
<b>Assets</b>				
Cash and investments	\$ 464,689	\$ 81,121	\$ 105,497	\$ 709,199
Receivables:				
Taxes receivable	191,600	64,750	-	-
Special assessments	-	-	-	-
Due from other funds	-	-	9,875	-
Restricted assets	-	-	-	-
Total assets	<u>\$ 656,289</u>	<u>\$ 145,871</u>	<u>\$ 115,372</u>	<u>\$ 709,199</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 38,000	\$ 2,095	\$ 9	\$ 442
Deferred revenue	<u>412,235</u>	<u>111,257</u>	<u>-</u>	<u>-</u>
Total liabilities	450,235	113,352	9	442
<b>Fund Balances</b>				
Reserved for construction	-	-	-	-
Unreserved	<u>206,054</u>	<u>32,519</u>	<u>115,363</u>	<u>708,757</u>
Total fund balances	<u>206,054</u>	<u>32,519</u>	<u>115,363</u>	<u>708,757</u>
Total liabilities and fund balances	<u>\$ 656,289</u>	<u>\$ 145,871</u>	<u>\$ 115,372</u>	<u>\$ 709,199</u>

**Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2005**

Nonmajor  
Debt Service  
Fund

Nonmajor Capital Projects Funds

				Total Nonmajor Governmental Funds
Annie Lang	Police Construction	Land Acquisition	Annie Lang	
\$ 29,082	\$ -	\$ 343,670	\$ -	\$ 1,733,258
-	-	-	-	256,350
121,486	-	-	-	121,486
20,266	-	-	-	30,141
-	-	-	10,556	10,556
<b>\$ 170,834</b>	<b>\$ -</b>	<b>\$ 343,670</b>	<b>\$ 10,556</b>	<b>\$ 2,151,791</b>
\$ -	\$ -	\$ -	\$ -	\$ 40,546
121,486	-	-	-	644,978
121,486	-	-	-	685,524
-	-	-	10,556	10,556
49,348	-	343,670	-	1,455,711
49,348	-	343,670	10,556	1,466,267
<b>\$ 170,834</b>	<b>\$ -</b>	<b>\$ 343,670</b>	<b>\$ 10,556</b>	<b>\$ 2,151,791</b>

# Charter Township of Milford

	Nonmajor Special Revenue Funds			
	Refuse Collection	Senior Citizens	Cemetery Improvement	Road
<b>Revenue</b>				
Property taxes	\$ -	\$ 103,249	\$ -	\$ -
Charges for services	-	32,899	-	-
Federal grants	-	2,000	-	-
State sources	-	2,400	-	50,000
Special assessments	-	-	-	-
Rubbish billings	381,162	-	-	-
Investment earnings	8,349	1,668	3,382	21,961
Other	-	10,284	26,150	7,105
Total revenue	389,511	152,500	29,532	79,066
<b>Expenditures</b>				
General government	-	-	68,091	-
Public works	465,614	-	-	143,343
Community and economic development	-	119,981	-	-
Capital outlay	-	-	2,100	-
Debt service	-	-	-	-
Total expenditures	465,614	119,981	70,191	143,343
<b>Excess of Revenue Over (Under) Expenditures</b>	(76,103)	32,519	(40,659)	(64,277)
<b>Other Financing Sources (Uses)</b>				
Transfers in	127,200	-	94,340	373,600
Transfers out	-	-	-	-
Total other financing sources (uses)	127,200	-	94,340	373,600
<b>Net Change in Fund Balances</b>	51,097	32,519	53,681	309,323
<b>Fund Balances - Beginning of year</b>	154,957	-	61,682	399,434
<b>Fund Balances - End of year</b>	<u>\$ 206,054</u>	<u>\$ 32,519</u>	<u>\$ 115,363</u>	<u>\$ 708,757</u>

**Other Supplemental Information**  
**Combining Statement of Revenue, Expenditures, and Changes**  
**in Fund Balances - Nonmajor Governmental Funds**  
**Year Ended December 31, 2005**

Nonmajor Debt

Service Fund	Nonmajor Capital Projects Fund			Total Nonmajor Governmental Funds
Annie Lang	Police Construction	Land Acquisition	Annie Lang	
\$ -	\$ -	\$ -	\$ -	\$ 103,249
-	-	-	-	32,899
-	-	-	-	2,000
-	-	-	-	52,400
47,385	-	-	-	47,385
-	-	-	-	381,162
399	213	9,997	510	46,479
-	-	-	-	43,539
47,784	213	9,997	510	709,113
-	-	-	-	68,091
-	-	-	-	608,957
-	-	-	-	119,981
-	2,227	-	-	4,327
8,928	-	-	-	8,928
8,928	2,227	-	-	810,284
38,856	(2,014)	9,997	510	(101,171)
-	-	50,000	-	645,140
-	(210)	-	-	(210)
-	(210)	50,000	-	644,930
38,856	(2,224)	59,997	510	543,759
10,492	2,224	283,673	10,046	922,508
<b>\$ 49,348</b>	<b>\$ -</b>	<b>\$ 343,670</b>	<b>\$ 10,556</b>	<b>\$ 1,466,267</b>

# Charter Township of Milford

## Supplemental Information Combining Balance Sheet Fiduciary Funds December 31, 2005

	Agency Funds			
	Tax Collections	Trust and Agency	Library	Totals
<b>Assets</b>				
Cash and cash equivalents	\$ 59,051	\$ 105,021	\$ 283,078	\$ 447,150
Investments - Bank investment pool	<u>2,718,000</u>	<u>-</u>	<u>241,000</u>	<u>2,959,000</u>
Total assets	<u><b>\$ 2,777,051</b></u>	<u><b>\$ 105,021</b></u>	<u><b>\$ 524,078</b></u>	<u><b>\$ 3,406,150</b></u>
<b>Liabilities</b>				
Deposits	\$ -	\$ 105,021	\$ -	\$ 105,021
Due to other governmental units	2,571,469	-	524,078	3,095,547
Tax collections distributable	<u>205,582</u>	<u>-</u>	<u>-</u>	<u>205,582</u>
Total liabilities	<u><b>\$ 2,777,051</b></u>	<u><b>\$ 105,021</b></u>	<u><b>\$ 524,078</b></u>	<u><b>\$ 3,406,150</b></u>